

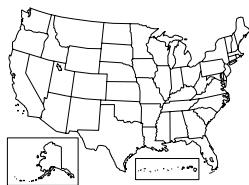
# MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

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## ECONOMIC HIGHLIGHTS

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- After increasing substantially in April, imported **light vehicles sales** continued to gain market share in May. Imports comprised 31.6% of automobile sales in May, compared with 29.9% in April and 24.4% in January. May's import share for automobile sales was the highest level since November 1987. Imports comprised 15.7% of light truck sales in May, down from the record high of 16.7% exhibited in April, but up from the 13.5% share in May 2005.
- **Retail sales** were 7.5% above the year-ago level in May. As has been the case for much of the past year, sales at gasoline stations accounted for the fastest growth, rising 21.9% over last year. Department stores and motor vehicle/parts dealers exhibited the weakest year-over-year performance, with growth of 0.0% and 1.9%, respectively.
- The **U.S. Consumer Price Index (CPI)** increased at a 5.5% annual rate in May compared with the April level. As in recent months, increases in energy prices dominated the rise. However, for the second month in a row, increases in the index for shelter accounted for more than half of the increase once energy and food prices were excluded.
- The final estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annual growth rate of 5.6% in the first quarter of 2006, compared with growth of 1.7% during the fourth quarter of 2005. The increase in the growth rate reflected the most rapid rate of growth in personal consumption expenditures since the third quarter of 2003 (5.1%, compared with 0.9% in the fourth quarter of 2005), increases in government spending (particularly defense spending), and a substantial improvement in exports.



- Michigan **wage and salary employment** declined by 19,000 jobs in May and was 27,000 jobs below the level in May 2005. May's job losses were heaviest in the leisure/hospitality and government sectors, which each lost almost twice as many jobs as the manufacturing sector lost.
- **Michigan personal income** grew at an annual rate of 1.0% during the first quarter of 2006, compared with the national average of 1.4%. While the Great Lakes region exhibited the slowest growth, and Michigan fared worse than all other Great Lakes states, Michigan's growth rate ranked only 42<sup>nd</sup>, behind a diverse array of states, such as Delaware (which ranked 50<sup>th</sup>, with a decline of 1.1%), Iowa (0.0%), Montana (0.4%), Louisiana (0.4%), Idaho (0.5%), Georgia (0.8%), Maine (0.9%), and Vermont (0.9%). The decline in earnings from the durable goods manufacturing sector lowered Michigan's growth rate by approximately 0.2 percentage points.
- Michigan's **unemployment rate** fell to 6.0% in May, from 7.2% in April and 6.8% in May 2005. While the monthly decrease did not reflect job growth (as May employment was 4,000 jobs below the April level), the decrease did reflect job growth compared with May 2005 (when there were 30,000 fewer jobs). However, the number of individuals in the labor force was down in both cases, with 66,000 people leaving the labor force between April and May, and the labor force down 12,000 people from May 2005.

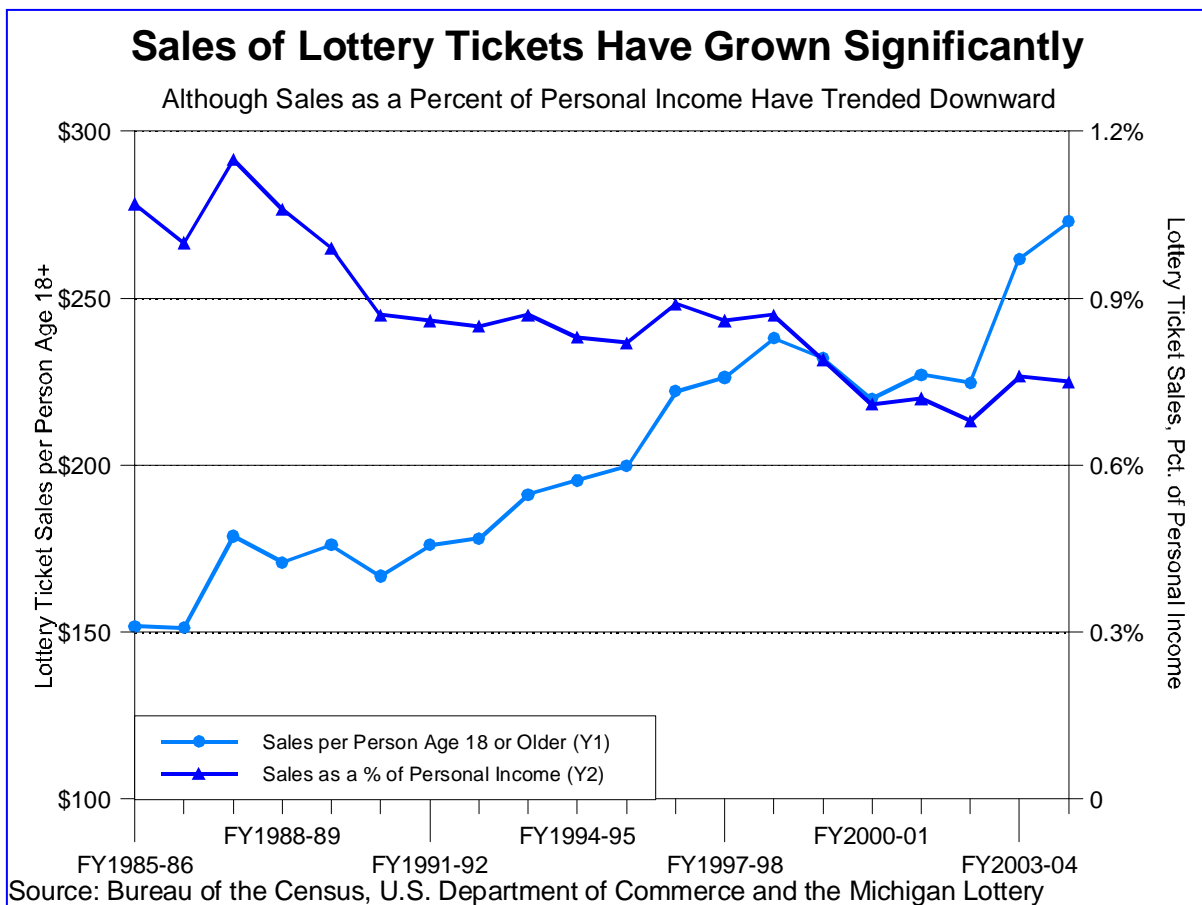
**U.S. & MICHIGAN LABOR MARKET NEWS**  
(Seasonally adjusted, thousands)

U.S.	May 2006	Apr. 2006	May 2005	<u>Change from April</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	150,911	150,811	149,201	100	0.1%	1,710	1.1%
Employment	143,976	143,688	141,571	288	0.2	2,405	1.7
Unemployment	7,015	7,123	7,629	(108)	(1.5)	(614)	(8.0)
Unemployment Rate	4.6%	4.7%	5.1%	---	---	---	---

Michigan	May 2006	Apr. 2006	May 2005	<u>Change from April</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	5,092	5,158	5,104	(66)	(1.3)%	(12)	(0.2)%
Employment	4,784	4,788	4,755	(4)	(0.1)	30	0.6
Unemployment	308	369	349	(62)	(16.8)	(42)	(11.9)
Unemployment Rate	6.0%	7.2%	6.8%	---	---	---	---

**Source:** Bureau of Labor Statistics, U.S. Department of Labor



<b>MICHIGAN WAGE AND SALARY EMPLOYMENT</b> (Seasonally adjusted, thousands)							
	May 2006*	Apr. 2006	May 2005	<u>Change from April</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
<b>Total Nonagricultural Jobs</b>	4,365	4,385	4,392	(19)	(0)%	(27)	(1)%
<b>Goods Producing Industries</b>	859	863	882	(4)	(0)	(23)	(3)
Natural Resources & Mining	9	8	9	0	2	0	1
Construction	192	192	191	(0)	(0)	1	1
Manufacturing	658	662	682	(4)	(1)	(24)	(4)
Transportation Equipment	225	228	241	(3)	(1)	(16)	(7)
<b>Service Producing Industries</b>	3,507	3,522	3,511	(15)	(0)	(4)	(0)
Trade, Transportation & Utilities	797	797	807	(0)	(0)	(10)	(1)
Information	67	67	68	(0)	(0)	(1)	(1)
Financial Activities	220	220	218	0	0	3	1
Professional & Business Services	596	599	589	(3)	(1)	7	1
Education & Health Services	575	574	571	1	0	5	1
Leisure & Hospitality Services	408	415	406	(7)	(2)	2	1
Other Services	179	179	179	0	0	0	0
Government	665	671	675	(7)	(1)	(10)	(1)

**Source:** Bureau of Labor Statistics, U.S. Department of Labor

\* Preliminary

<b>MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS</b>						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	May 2006	Year Ago	Percent Change	May 2006	Year Ago	Percent Change
Construction	37.4	37.8	(1.1)%	\$810.46	\$830.09	(2.4)%
Manufacturing	42.8	41.3	3.6	940.32	897.28	4.8
Durable Goods	43.9	42.0	4.5	1,039.99	956.34	8.7
Motor Vehicle Manufacturing	42.8	42.6	0.5	1,319.95	1,294.19	2.0
Motor Vehicle Parts Manufacturing	43.1	42.8	0.7	1,221.89	1,166.73	4.7
Nondurable Goods	39.2	38.7	1.3	602.11	587.08	2.6
Wholesale Trade	38.5	36.2	6.4	725.34	682.01	6.4
Retail Trade	29.1	29.4	(1.0)	361.13	345.74	4.5
Grocery Stores	26.7	25.7	3.9	233.36	222.56	4.9
General Merchandise Stores	28.8	29.3	(1.7)	298.66	302.67	(1.3)
Information	33.3	37.4	(11.0)	656.34	671.70	(2.3)
Financial Activities	34.1	34.0	0.3	598.11	598.74	(0.1)
Professional & Business Services	34.5	34.9	(1.1)	638.94	613.19	4.2
Health Care & Social Assistance	34.4	34.1	0.9	564.85	540.83	4.4
Leisure & Hospitality	22.7	23.0	(1.3)	188.41	187.68	0.4
Automobile Repair & Maintenance	35.4	35.6	(0.6)	550.82	535.78	2.8
Personal & Laundry Services	26.9	28.0	(3.9)	315.81	333.48	(5.3)

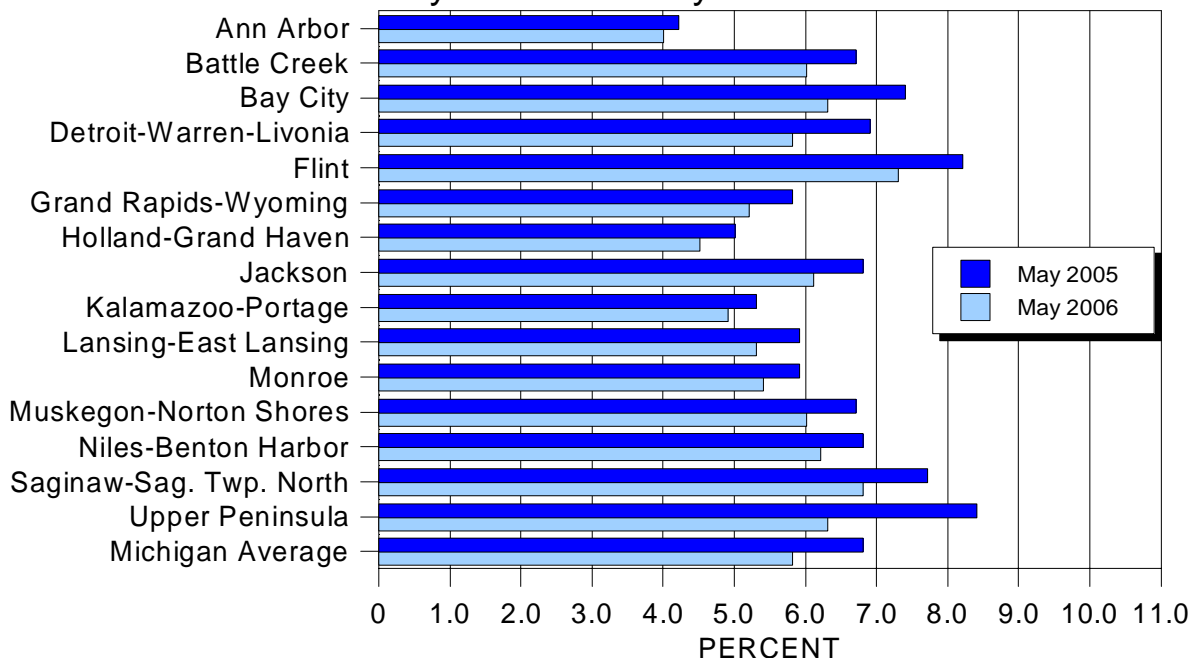
**Source:** Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES  
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS  
(Not Adjusted for Seasonal Variations)**

	May 2006*	Apr. 2006	Mar. 2006	May 2005
<b>Metropolitan Statistical Areas</b>				
Ann Arbor	4.0%	4.2%	4.7%	4.6%
Battle Creek	6.0	6.7	7.2	6.8
Bay City	6.3	7.4	8.0	7.2
Detroit-Warren-Livonia	5.8	6.9	7.6	7.0
Flint	7.3	8.2	8.9	8.0
Grand Rapids-Wyoming	5.2	5.8	6.4	6.1
Holland-Grand Haven	4.5	5.0	5.6	5.2
Jackson	6.1	6.8	7.4	6.8
Kalamazoo-Portage	4.9	5.3	6.0	5.8
Lansing-East Lansing	5.3	5.9	6.3	6.2
Monroe	5.4	5.9	6.6	6.1
Muskegon-Norton Shores	6.0	6.7	7.2	7.1
Niles-Benton Harbor	6.2	6.8	7.4	7.0
Saginaw-Saginaw Twp North	6.8	7.7	8.4	8.0
<b>Multi-County Areas</b>				
Northeast Lower Michigan	7.2	9.9	11.7	7.7
Northwest Lower Michigan	5.9	7.7	8.8	6.5
Upper Peninsula	6.3	8.4	9.0	6.9
<b>Michigan Statewide Average</b>				
-- Unadjusted (comparable to figures shown above)	5.8	6.8	7.5	6.7
<b>Source:</b> Michigan Department of Labor and Economic Growth				*Preliminary

**Michigan Regional Unemployment Rates**

May 2005 and May 2006

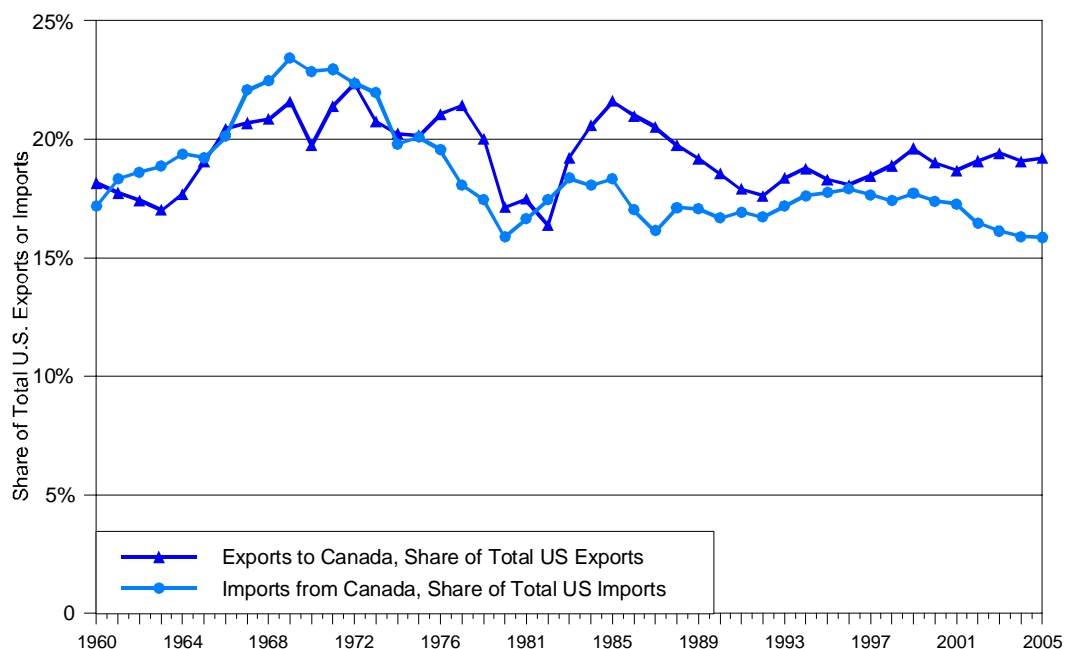


Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS  
(Thousands of Units)**

						Percent Change From:	
	May 2006	Apr. 2006	Mar. 2006	Feb. 2006	Year Ago May	May./Apr.	May 2006/ May 2005
<b>Motor Vehicle Sales<sup>1,2)</sup></b> <b>(thousands of units, SAAR)</b>							
Autos	7,782	8,007	7,420	7,410	7,519	(2.8)%	3.5%
Domestics	5,326	5,615	5,279	5,413	5,317	(5.1)	0.2
Imports	2,456	2,392	2,141	1,997	2,202	2.7	11.5
Import Share	31.6%	29.9%	28.9%	27.0%	29.3%	---	---
Light Trucks	8,253	8,680	9,117	9,138	9,119	(4.9)	(9.5)
Domestics	6,954	7,234	7,744	7,790	7,892	(3.9)	(11.9)
Imports	1,299	1,446	1,373	1,348	1,227	(10.2)	5.9
Import Share	15.7%	16.7%	15.1%	14.8%	13.5%	---	---
Subtotal: Light Vehicle Sales	16,035	16,687	16,537	16,548	16,638	(3.9)	(3.6)
Heavy Trucks	547	517	555	538	466	5.8	17.4
Total Vehicle Sales	16,582	17,204	17,092	17,086	17,104	(3.6)	(3.1)
<b>U.S. Motor Vehicle Production<sup>1,2)</sup></b> <b>(millions of units, SAAR)</b>							
Autos	4,337	4,555	4,538	4,409	4,168	(4.8)	4.1
<b>Michigan Motor Vehicle Production<sup>2,3)</sup></b> <b>(thousands of units, SAAR)</b>							
Autos	1,192	973	1,370	1,190	1,096	22.6	8.7
Trucks	1,331	1,142	1,195	1,041	1,332	16.5	(0.1)
Total	2,522	2,114	2,565	2,231	2,428	19.3	3.9
Michigan Production as % of U.S.	20.4%	20.8%	19.8%	19.8%	20.8%	---	---
<b>U.S. Motor Vehicle Inventories<sup>4)</sup></b>							
Total Car	1,444	1,484	1,553	1,422	1,394	(2.7)	3.6
Days Supply	48	52	58	57	47	(7.7)	2.1
Total Truck	2,339	2,317	2,391	2,281	2,437	1.0	(4.0)
Days Supply	80	85	80	82	74	(5.9)	8.1

**Sources:** 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)

**U.S.-Canada Trade is a Stable and Significant Portion  
of Total U.S. International Trade**


Source: Bureau of Economic Analysis, U.S. Department of Commerce.

OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
<b>Weekly Leading Index</b> , monthly <sup>1)</sup> (1992=100)	May	136.6	136.8	132.2	(0.1)%	3.3%
<b>Coincident Index</b> <sup>1)</sup> (1992=100)	May	150.8	150.6	146.2	0.1	3.1
<b>Housing Starts, U.S.</b> <sup>2)</sup> (thousands of units, SAAR)	May	1,957	1,863	2,034	5.0	(3.8)
<b>Retail Sales, U.S.</b> <sup>2)</sup> (billions, seasonally adjusted)	May	\$328.8	\$328.5	\$305.8	0.1	7.5
<b>Industrial Production Index</b> <sup>3)</sup> (1997=100, seasonally adjusted)	May	112.1	112.2	107.4	(0.1)	4.3
<b>Capacity Utilization</b> <sup>3)</sup> (% of total capacity, seasonally adjusted)	May	81.7	81.9	79.8	(0.3)	2.4
<b>Consumer Price Index</b> <sup>4)</sup> (1982-84=100)						
U.S. (seasonally adjusted)	May	201.9	201.0	194.0	5.5	4.1
Detroit (not seasonally adjusted)	Apr	197.2	194.8	189.8	7.6	3.9
<b>Interest Rates</b>						
3-month Treasury Bill <sup>3)</sup>	May	4.72%	4.59%	2.86%	---	---
Corporate Aaa Bonds <sup>3)</sup>	May	5.95%	5.84%	5.15%	---	---
<b>Real Gross Domestic Product</b> <sup>5)</sup> (billions of 2000 \$, SAAR, Chain-Weighted)	2006 1st Qtr.	\$11,403.6	\$11,248.3	\$10,999.3	5.6	3.7
<b>Michigan Tax Collections</b> <sup>6)</sup> (12 major taxes, millions)	May 2006	\$1,608.6	\$1,705.1	\$1,674.9	NM	(4.0)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

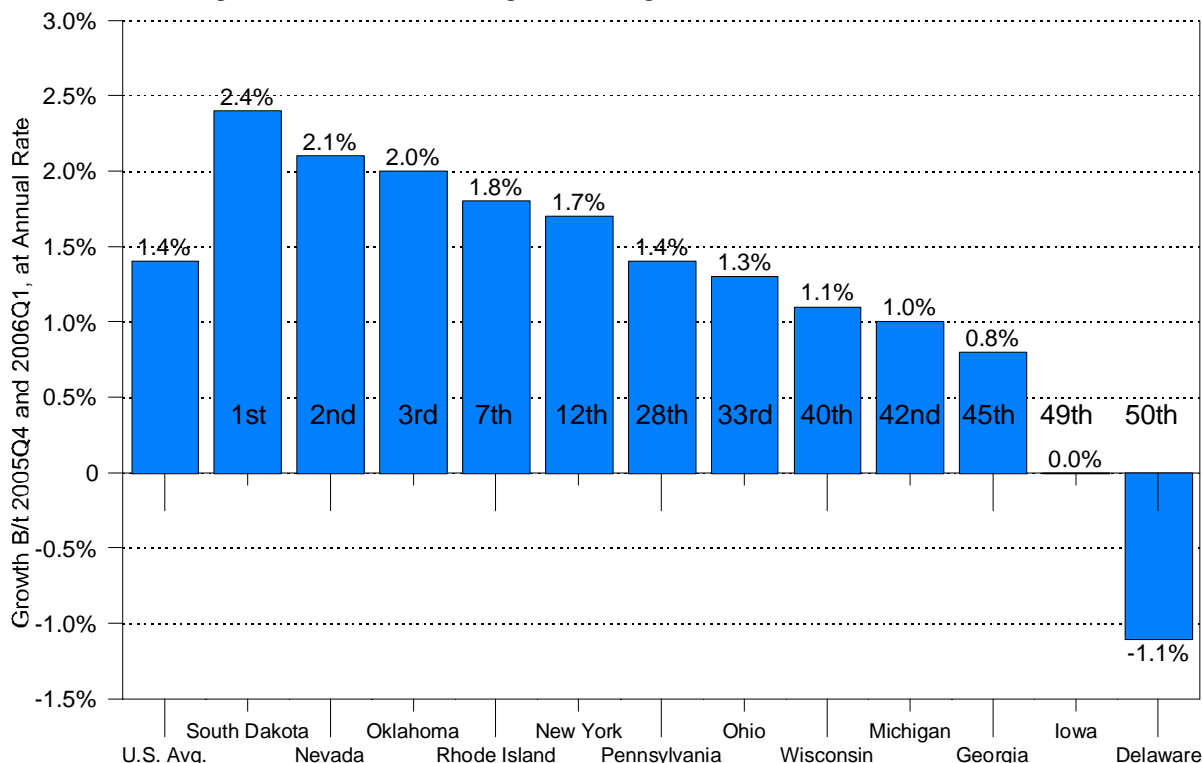
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

\*Note: Percent changes from previous period for CPI and GDP at annual rate.

**Sources:** 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

## Growth in Personal Income During the First Quarter of 2006

Michigan Still Below-Average, Although Several States Are Weaker



Source: Bureau of Economic Analysis, U.S. Department of Commerce.